

Alabama Handbook For Electronic Filers



Individual Income Tax Returns Tax Year 2007



Alabama Department of Revenue
Income Tax Electronic Filing Center
Publication AL1345 (Rev. 9-07)

September 21, 2007

Dear Alabama EROs:

During the **2007** filing season, Alabama received over **1,080,000 +** E-Filed income tax returns. The Department continues to be enthusiastic about the Electronic Filing Program and EROs have played a major part in the success of this program. Your efforts and interest have been greatly appreciated.

NOTABLE INFORMATION FOR THE YEAR 2007

- **Part Year Return can be Efiled**
- **IRS Field # 020 Declaration Control Number: Year Digit changed to Value '8'.**
- **AL Error Reject Codes: Alabama will be adding/updating AL Error Reject Codes. See Section 3 for additions/changes.**

Thank you again for your hard work. We are confident that working together we can make the **Tax Year 2007** even more successful for the Alabama Electronic Filing Program. Your comments and suggestions are always welcome.

Sincerely,
Richard Henninger



Director
Individual and Corporate Tax Division

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INTRODUCTION

The Alabama Department of Revenue (ADOR) participates with the Internal Revenue Service (IRS) in the Federal/State Electronic Filing Program. Under the program Alabama individual income tax returns are filed electronically with federal individual income tax returns.

Those who wish to participate in the Federal/State Electronic Filing Program must first apply to the IRS by submitting Form 8633, Application to Participate in the Electronic Filing Program. IRS Publication 1345 specifies the application process and requirements for federal participation.

The ADOR automatically accepts electronic filers (electronic return originators and transmitters) which have been accepted to participate in the Federal Electronic Filing Program. No additional registration is required on the part of electronic filers.

This document, Alabama Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 2007), is to be used in conjunction with IRS Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns.

IRS Publication 1345 provides detailed instructions on policies and procedures for the federal electronic filing program. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns specified by the IRS are in effect for the ADOR. This document sets forth the requirements unique to the filing of Alabama individual income tax returns. Together the documents specify the requirements for the joint electronic filing of Alabama individual income tax returns and federal individual income tax returns. Therefore, electronic filers are encouraged to become thoroughly familiar with both documents.

If there are any questions, comments, or suggestions concerning this handbook please write to:

Tavares D. Mathews - Alabama E - File Coordinator
Alabama Department of Revenue
Income Tax Electronic Filing Center
P.O. Box 327450
Montgomery, Al 36132

E-Mail: tavares.mathews@revenue.alabama.gov

ERO FORM RETENTION REQUIREMENTS

Alabama refund, nonpayment and balance due returns requiring the following forms and schedules can be filed electronically for the 2007 tax year:

Form 40	Alabama Individual Income Tax Return,
Form 40	Schedule A Itemized Deductions,
Form 40	Schedule B Interest and Dividend Income,
Form 40	Schedule D Profit from Sale of Real Estate, Stocks, etc.,
Form 40	Schedule E Supplemental Income and Loss,
Form 40	Schedule CR Credit for Taxes Paid to Other States, (including the other state's return)
Alabama Form 4952A	Investment Interest Expense Deduction,
Federal Schedule C	Profit or Loss from Business,
Federal Schedule C EZ	Profit or Loss from Business, (Short Form)
Federal Schedule F	Profit or Loss from Farming,
Federal Form 2106	Employee Business Expenses,
Federal Form 2106 EZ	Employee Business Expenses (Short Form)
Federal Form 3903	Moving Expenses,
Federal Form 4562	Depreciation and Amortization,
Federal Form 4684	Casualties and Thefts,
Federal Form 6252	Installment Sale Income,
Federal Form 8283	Noncash Charitable Contributions, and
Federal Form 8829	Expenses for Business Use of Your Home.

The Electronic Return Originator (ERO) is required to retain an electronic copy of the above forms and schedules for a period of three years from the due date of the return or the date the return is filed, whichever is later. **Note: This list is not all inclusive.**

If the need arises, ADOR may request any of the documents, in writing, and the ERO must provide a copy of the document within five working days of the request.

BALANCE DUE RETURNS

The ADOR accepts the transmission of balance due returns. The Alabama Form 40V, Individual Income Tax Payment Voucher, will serve as the remittance advice for Alabama individual income tax payments made by check or money order. **Credit card payments can no longer be paid with the Alabama Form 40V Payment voucher.**

HOW TO PAY YOUR ALABAMA TAXES BY CREDIT CARD

You can use your American Express, Discover/Novus, Visa or Master Card to pay your Alabama income taxes. Credit Card payments may be made by telephone by calling 1-800-2PAY-TAX

(1-800-272-9829), or over the internet by visiting **www.officialpayments.com**, and clicking on the "Payment Center" link. There is a convenience fee for this service. The fee is paid directly to Official Payments Corporation based on the amount of your tax payment. You must enter a Jurisdiction Code when prompted. **The Jurisdiction Code for Alabama is 1100.**

ALABAMA SALARIES, WAGES, AND TIPS

NOTE: ALABAMA DOES NOT FOLLOW THE FEDERAL 1040 CRITERIA FOR SALARIES, WAGES, TIPS, ETC.

Total AL Wages: Form 40, Pg. 1, line 5. Total Alabama Wages (Field 350 - AL Generic Record) must equal the total amount of all state wages (including Wages Earned Out of State) as reported in Box 16 of the Federal 1040 W-2 (IRS Fields #'s 0390 and 0460). **ALABAMA WILL ACCEPT AN ELECTRONIC RETURN WITH A STATUTORY EMPLOYEE VIA A W-2 OR FEDERAL SCHEDULE C.** A plus/minus +/- \$3.00 variance allowance has been added to Generic Field 350 to allow for rounding errors.

The 2007 AL40 Instruction Booklet for **LINES 5A THROUGH 5D "WAGES, SALARIES, TIPS, ETC. STATES THE FOLLOWING:** "Income" show the amount of wages you were paid before taxes, insurance, etc. were deducted. You should use the amount shown in the box headed "State Wages" on your Form W-2. The amount shown in this box may or may not be the same as the amount taxable for federal purposes. **ALL OTHER TAXABLE ITEMS LISTED ON YOUR W-2 FORM THAT ARE NOT INCLUDED IN THE "STATE WAGES" BOX SHOULD BE ENTERED ON LINE 8, PART 1, PAGE 2 "OTHER INCOME".**

The following income amounts as defined by line 7 of the federal 1040 **MUST NOT BE INCLUDED IN ALABAMA WAGES, SALARIES, TIPS, AL40, PG 1, LINE 5.** The ALABAMA E-FILE PROGRAM will generate an **ALABAMA ERROR CODE # 50 AND REJECT THE ELECTRONIC RETURN. THESE AMOUNTS SHOULD BE REPORTED ON AL40, PG. 2, PART 1, LINE 8 "OTHER INCOME". THE DESCRIPTION OF THE ITEM, LINE 8, "STATE NATURE AND SOURCE" MUST ALSO BE REPORTED.**

ITEMS NOT ON FORM W-2 OR FORM 1099R:

1. Miscellaneous Income, from Federal Form 1099-MISC
2. Earned Income from Federal Form 2555 (Foreign Earned Income)
3. Excess reimbursement, from Federal Form 2106
4. Excess Adoption Benefits
5. Forfeited Childcare Benefits from Federal Form 2441
6. Excess moving expense reimbursement, from Federal Form 3903
7. Wages earned as a household employee – House Hold W-2
8. Sick pay or disability payments
9. Wages from a Foreign Source

ALABAMA SALARIES, WAGES, AND TIPS

(Continued)

10. Ordinary income from ESPP stock sale
11. Ordinary income from incentive stock options
12. Federal "Guaranteed" Payments to K-1 Partnership
13. Taxable Scholarships
14. Taxable tips from Federal Form 4137

Form W-2:

1. Social Security Tips
2. Bonuses
3. Fees
4. Commissions
5. Allocated Tips OR tips from Federal Form 4137
6. Advanced EIC payments
7. Dependent Care Benefits

Form 1099R:

1. Disability before minimum retirement age
2. Return of contributions

ALABAMA ELECTRONIC FILING CALENDAR - TAX YEAR 2007

For Tax Period January 1, 2007 to December 31, 2007

- **Begin Federal Software Testing** **November 13, 2007**
- **Begin ADOR Software Testing** **November 13, 2007**
- **Final Date for
First ADOR Test** **January 1, 2007**
- **Federal/State Electronic Filing Operational** **January 11, 2007**
- **Last Date For Timely Filed Returns** **April 15, 2007**
- **Last Date for Extended Filing** **October 15, 2007**

- **NOTE: These dates are subject to change at any time.**

There are no testing requirements for EROs under the Alabama Electronic Filing Program.

**SOFTWARE COMPANIES INTENDING TO OFFER
ELECTRONIC ALABAMA INDIVIDUAL INCOME TAX RETURNS**

2007 TAX YEAR

2nd Story Software
ATX
CCH
C & S Technologies
Creative Solutions
Data Group
Drake Software
H&R Block
Intuit (Turbo Tax / ProSeries)
Jackson Hewitt Tax Service
Lacert (Intuit)
OrrTax Software Company
Petz Enterprises
RCS - Rhodes Computer Service (TAXSLAYER)
RIA – Research Institute Associates
TaxCut (Block Financial)
Tax Simple
Taxware Systems, Inc
Tax Works by Laser Systems
Universal Tax Systems, Inc.

CONTACT NAMES AND PHONE NUMBERS

Tavares D. Mathews: Alabama E-File Coordinator (334) 353-9497

Fax (334) 353-8068

E-Mail tavares.mathews@revenue.alabama.gov

Alabama ERO Help Desk (334) 353-9497

ADOR Internet Web Site www.revenue.alabama.gov

IRS Help Line (866) 255-0654

PUBLICATIONS

The following publications specify the applicable policies and procedures for Federal/State Electronic Filing, and for the Alabama Electronic Filing Program:

INTERNAL REVENUE SERVICE PUBLICATIONS

Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns

Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns (Tax Year 2007)

Publication 1436, Test Package for Electronic Filing of Individual Income Tax Returns (Tax Year 2007)

ALABAMA DEPARTMENT OF REVENUE PUBLICATIONS

Alabama Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 2007)

Electronic Return Record Layouts for Alabama Individual Income Tax Returns (Tax Year 2007)

Alabama Test Package for Electronic Filing of Individual Income Tax Returns (Tax Year 2007)

HOW FEDERAL/STATE ELECTRONIC FILING WORKS

Electronic Return Originators (EROs) and transmitters accepted in the IRS Electronic Filing Program will be automatically accepted into the Alabama Electronic Filing Program, and will be able to file both the federal return and the state return to the IRS Austin Service Center (MSC). The IRS acts as a conduit through which the ADOR will retrieve the state data packet for processing.

EROs and transmitters serve as agents of the ADOR for the origination and transmission of Alabama electronic returns and the retention of the non-electronic Alabama return data. The software used to prepare the returns and transmit the data must be tested and approved by both the IRS and ADOR – otherwise the Alabama returns will be rejected by the ADOR.

The sequence of events are as follows:

1. The ERO prepares the returns and signature documents, reviews the tax return information with the taxpayer, obtains the necessary signatures from the taxpayers, and using electronic filing software submits the electronic portion of the return for transmission to the IRS ASC.

2. The ASC either accepts or rejects the federal return.

If the return is accepted, the ASC acknowledges acceptance of the federal return with an electronic acknowledgment which is transmitted to the electronic filer.

If the return is rejected, the ASC transmits a rejection notice which provides error codes explaining the reason for rejection – the return (including the state return) is then corrected and retransmitted.

3. Within 24 hours of receiving the electronic acknowledgment, the ERO must submit the Federal Form 8453.
4. Upon the federal return being accepted by the ASC, the state return is available for the ADOR to download and load to its computer system.
5. If the state return was prepared using ADOR approved software, and the return contains no omissions or mathematical errors, an electronic acknowledgment will be transmitted to the IRS. If the state return was not prepared by ADOR-approved software and/or contains mathematical errors or omissions, an electronic rejection notice will be transmitted to the electronic filer. The State Acknowledgement file will contain an Alabama Error Code that will identify the condition that caused the Alabama return to reject. The Alabama return should be corrected and resubmitted to the IRS - ASC (Austin Service Center) using the IRS 'SO' State-Only option.

HOW FEDERAL/STATE ELECTRONIC FILING WORKS

(continued)

6. The ERO must retain the Alabama Form AL8453 and all Federal and State Forms and Schedules for a period of three years from the due date of the return or the date the return is filed, whichever is later. If a credit for taxes paid to another state is claimed, the ERO must also retain a copy of the other state's return for the three year period.
- Approved refunds will be processed as soon as possible from the date the accepted acknowledgment is posted to the **IRS EMS System**. Alabama acknowledgments should be available for retrieval by transmitters within three business days or less from the dates of the Internal Revenue Service acknowledgments.

ALABAMA TESTING

Neither EROs nor transmitters are required to test data nor are they required to test transmissions. However, they should ensure that their software has been accepted and approved by both the Internal Revenue Service and the Alabama Department of Revenue. A master list of all approved software developers will be maintained by the Alabama ERO Help Desk and will be available upon request. An approved list of vendors can also be found on our ADOR website at the following URL address:

<http://www.revenue.alabama.gov/incometax/efilemain.htm>

All software developers are required to annually test their software with Alabama test data. Only software which has been tested and approved by the ADOR may be used for Alabama electronic filing. An Alabama ELF return will not be rejected if the return is prepared using ADOR approved software and the return meets the criteria as defined in the 2007 Alabama Error Reject Codes.

Upon request, software developers will be provided software specifications and test materials with instructions. When these software developers have successfully completed testing with the IRS, they may begin Alabama testing. The department will retrieve the state test data through the IRS Austin Service Center, process it, evaluate it, and notify the software developers of the results, usually within 24 hours of receipt.

WHO CAN PARTICIPATE, ACCEPTANCE PROCESS

There are three (3) classifications of participants in the Federal/State Electronic Filing Program, as defined in IRS Publication 1345:

1. Electronic Return Originators (EROs)
2. Transmitters
3. Software Developers

The IRS's definition of electronic return originator, transmitter, and software developer are also applicable to the Alabama Electronic Filing Program. Acceptance into the federal program allows an electronic filer (an ERO or transmitter) automatic acceptance into the Alabama Electronic Filing Program.

EROs accepted into the Alabama Electronic Filing Program serve as agents of the ADOR for the origination of Alabama electronic returns and the retention of the non-electronic Alabama return data.

Those who wish to participate in the Federal/State Electronic Filing Program must first apply to the IRS by submitting Form 8633, Application to Participate in the Electronic Filing Program. IRS Publication 1345 specifies the application process and requirements for federal participation.

Although no separate application form is necessary for the Alabama Electronic Filing Program, electronic return originators, transmitters, and software developers must indicate on Form 8633 that they expect to transmit returns. The IRS will provide the ADOR with an electronic file of accepted EROs and transmitters.

The Electronic Filing Identification Number (EFIN) and the Electronic Transmitter Identification Number (ETIN) are assigned to EROs and electronic transmitters by the IRS. The ADOR will use the IRS-assigned EFINs and ETINs to identify EROs and electronic transmitters in the administration of the Alabama Electronic Filing Program.

Software developers must obtain annual approval of their software from the ADOR.

RIGHT TO REVOKE ACCEPTANCE AND APPROVAL

The Alabama Department of Revenue reserves the right to revoke the acceptance of an ERO or transmitter for cause. Furthermore, the ADOR reserves the right to revoke the approval of any software developer for cause. Failure to comply with the guidelines set forth in the Alabama Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 2007) and in Electronic Return Record Layouts for Alabama Individual Income Tax Returns (Tax Year 2007) is considered just cause.

The following may result in the revocation of a participant's acceptance into the program:

- (1) Conviction of a criminal offense under the revenue laws of any state, or of any offense involving dishonesty, or breach of trust.
 - (2) Failure to file timely and accurate tax returns, both personal and business.
 - (3) Failure to pay personal tax liabilities or business tax liabilities.
 - (4) Suspension or rejection from the program in a prior year if corrective action is not taken and approved by the Alabama Department of Revenue.
 - (5) Other facts or conduct of a disreputable nature that would reflect adversely on the program.
 - (6) Unethical practices in return preparation.
 - (7) Suspension by IRS.
- Applicants and participants may inquire about filing and paying any outstanding personal and business taxes by contacting the **Alabama Department of Revenue ERO Help Desk** for assistance at **(334) 353-9497**.

RANDOM MONITORING VISITS

- EROs serve as agents of the ADOR for the origination of Alabama electronic returns and the retention of the non-electronic Alabama return data, and the ADOR will conduct random monitoring visits with EROs in order to verify compliance with the requirements of the Alabama Electronic Filing Program. **Failure to comply with Administrative Rule 810-3-27-.09 - .10 "Mandatory E-File" may also lead to a random monitoring visit.**

ALABAMA EXCLUSIONS

The following state returns are excluded from the Alabama E – File Program:

Alabama returns with more than **10 dependents** are excluded for the 2007 tax year.

- Alabama Schedule D: Alabama can accommodate for **20 occurrences** of the Alabama **Schedule D (400 transactions)**. The return cannot be electronically filed if there are more than **20 occurrences** of the **Alabama Schedule D**.

Alabama Schedule E: Alabama can accommodate for **15 occurrences** of the Alabama Schedule E. A return requiring more than **15** cannot be electronically filed.

2106/2106-EZ: Alabama can accommodate for 2 (two) 2106 EZs and 2 (two) 2106's. **One per taxpayer per return.**

AL will accommodate for **7 occurrences** of the Federal Schedule C, C-EZ. An AL return with more than 7 Federal Schedule C's cannot be filed electronically. **Note: only one Schedule C-EZ per taxpayer can be transmitted per return.**

Alabama will not allow for more than **20 W-2s** to be electronically transmitted. If there are **more than 20 W-2s** the Alabama return cannot be electronically filed.

AL Withholding from K-1's and /or 1099INT **disallows** the ELF return.

Form 40X, Amended Alabama Individual Income Tax Return.

Prior year returns - any return not for tax year 2007.

Non-calendar year filers.

Non-residents - Form 40NR.

Form 40A.

Foreign Address Returns.

'SO' State – Only Amended returns.

Deceased taxpayers or any Federal return containing the Federal 1310.

Form 40, Page 1, Line 19 - Credits: If a taxpayer must claim a credit for the Basic Skills Education Credit, the Coal Credit, the Rural Physician Credit, the Capital Credit, or the Alabama Enterprise Zone Act Credit, the taxpayer cannot file the return electronically for 2007.

- **NOTE: THE NOL EXCLUSION HAS BEEN REMOVED FROM THE AL E-FILE PROGRAM.**

TRANSMITTING THE ALABAMA ELECTRONIC RETURN

The Alabama electronic return will be transmitted with the federal return to the IRS Austin Service Center. The transmitter must comply with all electronic transmitting procedures, communications requirements, and technical specifications required by the IRS, as defined in IRS Publication 1345.

Participants in the Federal/State Electronic Filing Program should confirm with their software developers and direct transmitters that the software can process and transmit the state data along with the federal data to the Austin Service Center.

TRANSMITTING THE ALABAMA RETURN USING THE ‘SO’ STATE-ONLY OPTION

➤ State-Only Filing IS:

A method to file a State Tax return through the current Fed/State system. The state return will contain all the States generic and unformatted data (States Forms and Schedules). It will be transmitted with a “dummy” Federal return (1040 Page 1 record) to allow it to pass through the Fed/State system. The IRS will send a Federal acknowledgement for transmission of the State-Only return.

Return types that can be transmitted through the Fed/State system as a State-Only return include:

1. Previously rejected Alabama E- File return.
2. Multiple state returns for one taxpayer, each to go the respective state.
3. Married filing separately with Alabama and filing a joint federal return.

➤ State-Only Filing is NOT:

1. Going to be batched separately from the Fed/State (piggyback) returns.
2. Technically a method for transmitting Amended returns. Alabama will reject the ‘SO’ return if an amended return is attempted.
3. A method for the “piggybacking” of State data. Only one State packet per return will be allowed.

Your software vendor will incorporate the ‘SO’ option into your software.

REJECTION BY THE AUSTIN SERVICE CENTER

The IRS will identify certain conditions in the federal and state return data that will cause rejection when the return data is received and will provide a rejection code in the acknowledgment record. IRS Publication 1345 "Filing Season Supplement" provides a list of all reject codes, including those applicable to the state data.

Repeated rejection of transmissions can cause the IRS to rescind the electronic filing privileges of an electronic filer.

REJECTION BY ADOR

- **The Internal Revenue Service (IRS) shall provide State Acknowledgement service on its Front End Processing System, known as EMS (Electronic Management System). Alabama will send their State Acknowledgements to EMS for trading partners to pick up when they pick up their Federal Acknowledgement.**

Transmitters must contact the State regarding rejections, taxpayer problems or any other questions that may arise about the state acknowledgement.

An Alabama ELF return will not be rejected if the return is prepared using ADOR approved software and the return meets the criteria as defined in the 2007 Alabama Error Reject Codes. All accepted Alabama electronic returns (meaning those received and not rejected), will be processed.

Rejection of the filing will be indicated with an "R" in the **IRS-Alabama Acknowledgement Record File**. Each rejected return will contain a specific Alabama error code. The error code is a three position numeric field located in the **IRS-Alabama Acknowledgement Record File**. For example: (050, 085, 135, etc). The error reject code will specifically define the problem with the Alabama ELF Return. Most software developers will provide you, the ERO, with a list of the Alabama Error Reject Codes. The Alabama Error Reject Codes can also be found on our website at the following url link: <http://www.revenue.alabama.gov/incometax/efilemain.htm>

If rejected by Alabama, the transmitter can correct the error and then retransmit the Alabama return using the IRS "SO" State – Only option. The AL40 can be retransmitted indefinitely until the return is accepted by Alabama. Your software vendor will incorporate the 'SO' option into your software.

Acceptance of the filing will be indicated with an "A" in the in the **IRS- Alabama Acknowledgement Record File**.

- **Note: The IRS will be "shutting-down the Austin Service Center in July, 2007. All direct transmitters will be required to transmit returns thereafter to the Kansas City Service Center.**

IRS/AL ACKNOWLEDGMENTS

Purpose of the Alabama Acknowledgment System: The Alabama Acknowledgment System is designed to inform transmitters that the Alabama return data packet has been retrieved from the IRS, and whether the filing is accepted or rejected.

The Alabama acknowledgment record does not indicate acceptance of the return as filed, nor does it guarantee that a refund for the requested amount will be issued.

Software developers will provide the Fed/AL acknowledgment retrieval service as a part of their software package. If you are a direct transmitter, and the software developer you deal with provides the service, then a separate account with the IRS is not necessary. Please check with your software developer before contacting the IRS.

State Acknowledgements (State ACKS)

- **The IRS State Acknowledgement file will be implemented in January 2007. The Internal Revenue Service will provide State Acknowledgement service on its Front End Processing System known as EMS (Electronic Management System). EMS will process, validate, and route the files for the Trading Partner to pick up when they pick up their Federal Acknowledgement. The State will transmit Acknowledgement files to EMS; an outer TRANA, an outer TRANB, at least one inner TRANB, and at least one ACK Key Record. It may contain zero or multiple ACK Error Records, at least one inner RECAP, and an outer RECAP.**
- **States are scheduled to test the State Acknowledgement on November 1, 2007.**
- **Note: The IRS will be “shutting-down the Austin Service Center in July, 2007. All direct transmitters will be required to transmit thereafter to the Kansas City Service Center.**

Under normal processing conditions, Alabama acknowledgments are posted on a daily basis, upon return retrieval from the IRS. Transmitters who transmit for electronic return originators must notify the EROs of the Alabama acknowledgment within one day of receipt.

Contact **Tavares D. Mathews at (334) 353-9497** for more information about the **Alabama/Federal** Acknowledgment System or if Alabama acknowledgments are not received within **five** days.

ERROR RESOLUTION FOR ALABAMA ELECTRONIC RETURNS

Although the error rate is very low for electronic returns, a few errors may be identified on Alabama returns when they enter the tax processing system at the ADOR. Returns prepared with software that is not approved by the ADOR will be rejected. Returns with errors will be rejected (AL Error Reject Codes), but can be corrected and retransmitted as a ‘SO’ State-Only return. Some errors that may be identified are duplicate returns, omission of required data, duplicate social security numbers, and computation errors.

Unless authorized by the taxpayer to discuss the return with the preparer (see the 2007 Alabama Form AL8453), the ADOR will communicate directly with the taxpayer if additional information is needed to correct a return. EROs and transmitters will only be given limited information about the tax return, pursuant to the limited disclosure statement on Alabama Form AL8453, including acknowledgment of receipt by the ADOR through the IRS, the reason for any

processing or refund delay, and the date the refund check is released.

REFUND ANTICIPATION LOANS

The Alabama Department of Revenue neither supports nor prohibits Refund Anticipation Loans (RALs). Filing an electronic return that indicates a refund is due does not guarantee a refund will be issued.

REFUND / RETURN PROBLEMS

Taxpayers are advised to confirm acknowledgment of their Alabama returns with their ERO or transmitter, and are advised to wait at **least twelve weeks** from the date of acknowledgment before calling or writing the ADOR to inquire about the status of a refund check.

If a taxpayer and/or spouse owes money to the **ADOR, another State agency or the IRS** the amount owed may be deducted from the refund. Payment of the debt will delay the processing of the taxpayer's refund because all claims against the refund must be resolved before a refund check can be processed. The same policy applies to paper returns.

ERO HELP DESK

The Alabama Department of Revenue operates a Help Desk for EROs and transmitters to ensure the prompt resolution of processing problems.

The operating hours will be Monday through Friday, **8:00 AM to 4:30 PM. CST** except holidays. The **Help Desk telephone number, (334) 353-9497**, is to be used exclusively by electronic return originators.

The ERO Help Desk number should not be provided to your clients. To do so will only hinder the quality of service the Alabama ERO Help Desk can provide EROs.

ALABAMA REFUND HOTLINE

The Alabama Refund Hotline number is **(334) 353-2540**. The Refund Hotline is a simple, easy way for your clients to check on their Alabama income tax refund. To access the hotline, all the taxpayer needs is a touch tone phone, and a copy of their current year tax return. Please share the Refund Hotline number with your clients. **Your clients can now check on the status of their refund by visiting our ADOR website using the following url link: www.revenue.alabama.gov/indi.html.**

PAYMENT OF REFUNDS

DIRECT DEPOSIT - PAPER CHECK – APPLIED TO NEXT YEAR'S TAXES

Taxpayers can elect to have their overpaid taxes applied to next year's taxes, issued in the form of a paper refund check, or directly deposited into their financial institution. The ADOR neither guarantees a specific date a refund will be deposited into a taxpayer's financial institution account nor issues written notices to a taxpayer to confirm direct deposit.

An Electronic Return Originator must follow the same rules and guidelines for the Alabama Direct Deposit as specified in the IRS handbook for Electronic Filing (Publication 1346), under Refunds and Direct Deposit.

The ADOR will make every attempt to process a direct deposit. However, if a direct deposit cannot be properly completed, a paper check will be issued.

RESPONSIBILITIES OF EROs

EROs and transmitters must maintain a high degree of integrity, compliance, and accuracy to continue participation in the Alabama Electronic Filing Program.

Compliance: All EROs and transmitters must comply with the requirements and specifications set forth in IRS publication 1345 and this handbook. Persons or firms not meeting these requirements are subject to having their acceptance into the program revoked. Should an ERO decide to no longer remain in the business, the ADOR must be notified, in order to, determine the proper resolution of electronic filing program documents and records.

Timeliness of Filing: EROs must ensure that electronic returns are filed in a timely manner. The transmission date of an Alabama electronic return will be considered the filing date for the return.

Deadline for Filing: The ADOR will accept electronically filed Alabama individual income tax returns which have been submitted for transmission to the Internal Revenue Austin Service Center (MSC) through October 15, 2007. Any Alabama returns submitted after October 15, 2007, must be filed as paper documents.

Changes to the Returns: If the ERO or taxpayer wishes to make any changes after the electronically filed return has been accepted, the taxpayer must file an amended paper return on Alabama Form 40X. The taxpayer should ensure that the original electronic return has been processed before filing the amended return.

Responsibility to Clients: EROs have been entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring that the return arrives at the Alabama Department of Revenue. In the event that the electronic Alabama return fails to arrive at its destination, EROs must notify their clients of the requirement to file a paper return.

ALABAMA FORM AL8453

ALABAMA FORM AL8453 - INSTRUCTIONS

NOTE: DO NOT MAIL THE ALABAMA SIGNATURE DOCUMENT TO THE ALABAMA DEPARTMENT OF REVENUE!

The Alabama Form AL8453 is to be retained by the ERO for a period of three years from the due date of the return or the date it is filed, whichever is later. Again, **Do Not Mail the AL8453 to the Alabama Department of Revenue!**

EROs serving as agents of the ADOR are required to retain the original Form AL8453 for a period of three years from the due date of the return or the date the return was filed, whichever is later. Transmission of the Alabama electronic return by the ERO is an attestation by the ERO that the Form AL8453 has been properly prepared and is being retained by the ERO.

Certain occasions may arise where the original Form AL8453 is required by the ADOR. If the need arises, the ADOR will request the document in writing and the ERO will provide the original Form AL8453 within five working days of the request.

If for any reason the ERO ceases his/her business, all Form AL8453's and Wage and Tax Statements (W-2s) currently maintained by the ERO must be forwarded to the ADOR - contact the **Alabama ERO Help Desk at (334) 353-9497**. Responsibility for the Alabama Forms AL8453 can be transferred to another ERO upon receiving written approval from the Department.

The ERO, if also the paid preparer must provide the taxpayer with a copy of the Alabama return, including the Form AL8453. Otherwise, the ERO must provide the taxpayer only with a copy of the completed Form AL8453.

ALABAMA FORM AL8453 - INSTRUCTIONS

(continued)

PREPARATION OF FORM AL8453

Declaration Control Number (DCN): The DCN is usually printed on the Alabama Form AL8453 by tax preparation software. If not, enter the IRS DCN for the return in the appropriate boxes at the top left hand portion of the document.

Label: If the taxpayer receives a mailing label from the Alabama Department of Revenue, the ERO should attach the label to the name/address portion of Form AL8453. Any necessary corrections should be made on the label.

Part I - Tax Return Information

Enter the information as requested from the Alabama Individual Income Return. Use only whole dollar amounts.

Part II – Direct Deposit of Refunds

Part II – Enrollment in direct deposit is voluntary and applies only to the current year. Taxpayers who want their refunds directly deposited into their bank or financial institution must complete Part II before transmitting the return. The ADOR and Regions Bank will not honor request completed after transmission of the return. Likewise, the ADOR and Regions Bank are not responsible when a bank or financial institution rejects the direct deposit due to an error in the routing number or account number. Taxpayers who are unsure of their routing number and/or account number should contact their bank or financial institution for assistance.

If the direct deposit is rejected, a paper check will be issued. Neither Regions Bank nor the ADOR will notify the taxpayer of a rejected direct deposit.

Line 1 – The routing number must be nine digits and begin with 01 through 12 or 21 through 32.

Line 2 - The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. If fewer than 17 characters, enter the number from left to right and leave the unused boxes blank.

Line 3 – Check the appropriate box that indicates the taxpayer's choice for direct deposit. Either checking or saving, but not both.

Part III - Declaration of Taxpayer

After the return has been prepared and before the return is transmitted electronically, the taxpayer (and spouse, if a joint return) must verify the information on the return and sign and date the completed Form AL8453. **Blank Form AL8453s must not be signed by taxpayers.** The ERO, if also the paid preparer must provide the taxpayer with a copy of the Alabama return, including the Form AL8453. Otherwise, the ERO must provide the taxpayer only with a copy of the completed Form AL8453.

ALABAMA FORM AL8453 - INSTRUCTIONS

(continued)

The taxpayers' signature in Part III authorizes the Alabama Department of Revenue to disclose to the ERO and/or the transmitter reasons for a delay in the processing of the return or the date the refund was issued. The taxpayer may elect to authorize the ADOR to discuss the taxpayer's return and attachments with the preparer of the tax return. The taxpayer makes the election for Alabama electronic returns by checking the box in Part III of the Form AL8453.

Part IV - Declaration of Electronic Return Originator (ERO) and Paid Preparer

EROs and paid preparers (if different from the ERO) are required to furnish all information requested in Part IV of Form AL8453. The federal employer identification number may be provided in lieu of the electronic return originator's or paid preparer's social security number. When the ERO is not the paid preparer, if the taxpayer is unable to obtain the paid preparer's signature on the Alabama Form AL8453 a copy of the appropriate pages of the paper return with the paid preparer's signature must be retained with the Form AL8453.

FAILURE TO COMPLY

Failure to properly complete and retain AL8453s can cause an ERO's acceptance in the Alabama Electronic Filing Program to be revoked.

CORRECTION TO FORM AL8453

If the ERO makes changes to the electronic return after the taxpayer has signed Form AL8453 but before the data has been transmitted, the ERO must require the taxpayer to complete a corrected Form AL8453, if the following conditions apply:

1. Alabama taxable income changes by more than \$500.
2. State refund changes by more than \$25.

Non-substantive changes are permissible on Form AL8453, provided the ERO or the person making the correction initials the change. Non-substantive changes are limited to corrections within the above tolerances for arithmetic errors, transposition errors, misplaced entries and spelling errors.

REGULATIONS FOR THE ALABAMA ELECTRONIC FILING PROGRAM

- 810-3-27-.04 Participation in the Federal/State Electronic Filing Program
- 810-3-27-.05 Requirements for the Alabama Electronic Individual Income Tax Return
- 810-3-27-.06 Requirements for the Individual Income Tax Declaration for Electronic Filing
- 810-3-27-.07 Requirements for Electronic Filing Software
- 810-3-27-.08 Acceptance into the Alabama Electronic Filing Program, Monitoring, and Revocation of Acceptance into the Program

810-3-27-.04 Participation in the Federal/State Electronic Filing Program.

- (1) The Department will participate with the Internal Revenue Service in the Federal/State Electronic Filing Program for the joint electronic filing of individual income tax returns, effective for tax year 1997.
- (2) The requirements of the Alabama Electronic Filing Program for electronic return originators and transmitters are stated in the Alabama Handbook for Electronic Filers of Individual Income Tax Returns, which is issued on an annual basis by the Department.

810-3-27-.05 Requirements for the Alabama Electronic Individual Income Tax Return.

- (1) A complete Alabama electronic individual income tax return will consist of data transmitted electronically and supporting paper documents. A complete Alabama electronic return must contain the same information as a comparable Alabama return as if filed entirely on paper.
- (2) The transmission date of an Alabama electronic individual income tax return will be used to determine timely filing of an electronic return in the same manner that the postmarked date is used to determine timely filing of a paper Alabama individual income tax return.

810-3-27-.06 Requirements for the Individual Income Tax Declaration for Electronic Filing.

- (1) The Individual Income Tax Declaration for Electronic Filing requires the following information:
 - (a) The Declaration Control Number of the electronic return.
 - (b) The taxpayer's first name, middle initial and last name.
 - (c) The taxpayer's social security number.
 - (d) If a joint return, the spouse's first name, middle initial, last name and social security number.
 - (e) The taxpayer's address.
 - (f) The Alabama taxable income reported by the electronic return.
 - (g) The net tax liability reported by the electronic return, which is computed by adding the net tax due Alabama to the voluntary contributions to the Alabama Election Campaign Fund and the Neighbors Helping Neighbors Fund.
 - (h) The total tax payments reported by the electronic return.
 - (i) The amount of the refund reported by the electronic return.
 - (j) The signature of the taxpayer and date of the signature.
 - (k) If a joint return, the signature of the spouse and date of the signature.
 - (l) The signature of the electronic return originator and date of the signature.
 - (m) An indication whether the electronic return originator is self-employed.
 - (n) The firm name of the electronic return originator.
 - (o) The address, including the zip code, of the electronic return originator.
 - (p) The federal employer identification number of the electronic return originator.

- (q) If the paid preparer is different from the electronic return originator, the following information is required:
 - 1. The signature of the paid preparer and date of the signature.
 - 2. An indication whether the paid preparer is self-employed.
 - 3. The firm name of the paid preparer.
 - 4. The address, including the zip code, of the paid preparer.
- (2) The signatures of the taxpayer(s), the electronic return originator, and the paid preparer (if the paid preparer is different from the electronic return originator) must be affixed to the Alabama Form AL8453 - Individual Income Tax Declaration for Electronic Filing before the return is electronically transmitted.
- (a) Members of the firm or designated employees may sign for the electronic return originator.
- (b) If the taxpayer is unable to obtain the paid preparer's signature on the Alabama Form AL8453, in lieu of the paid preparer's signature the electronic return originator may attach to the Alabama Form AL8453 a copy of the appropriate pages of the paper return with the paid preparer's signature.
- (c) Electronic return originators and electronic return preparers are prohibited from allowing taxpayers to sign blank Alabama Forms AL8453.
- (3) The completed and signed Alabama Form AL8453 will serve as the filing declaration for the electronic Alabama individual income tax return.
- (4) The completed and signed Alabama Form AL8453, and the state copies of wage and tax statements (Forms W-2, W-2G, and 1099R), must be retained by the electronic return originator for a period of three years from the due date of the return or three years from the date the return was filed, whichever is later.
- (5) Electronic transmission of the Alabama individual income tax return by the electronic return originator is an attestation by the electronic return originator that a properly completed and properly signed Alabama Form AL8453 is being retained on file by the electronic return originator.
- (6) The electronic return originator will provide the Department with the original Alabama Form AL8453 and the related wage and tax statements within five business days of receiving a written request for the documents from the Department.

- (7) In the event that the electronic return originator ceases operations, the electronic return originator is responsible for contacting the Department and transferring to the Department all of the original Alabama Forms AL8453 along with the related wage and tax statements. Responsibility for the Alabama Forms AL8453 can be transferred to another electronic return originator upon receiving written approval from the Department.
- (8) Nonprofit, volunteer tax preparation organizations such as Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) can elect, upon receiving written approval from the Department, to transfer all of the organization's original Alabama Forms AL8453 to the Department. The documents must be submitted to the Department in Declaration Control Number order.

810-3-27-.07 Requirements for Electronic Filing Software.

- (1) Record layouts and specifications for a complete Alabama electronic individual income tax return are issued annually by the Department in Electronic Return Record Layouts - Alabama Individual Income Tax Returns.
- (2) Software developers are required to obtain prior approval from the Department by submitting for testing sample Alabama electronic individual income tax returns prepared by and transmitted by their software products.
- (3) Software developer testing will occur in conjunction with IRS testing in accordance with IRS Publication 1436, Test Package for Electronic Filing of Individual Income Tax Returns.
- (4) Alabama electronic individual income tax returns received by the Department which are prepared by software which has not completed the Department's software developer testing and which has not been approved by the Department will be rejected by the Department. Paper Alabama individual income tax returns must then be submitted by the taxpayers.

810-3-27-.08 Acceptance into the Alabama Electronic Filing Program, Monitoring, and Revocation of Acceptance into the Program.

- (1) Electronic return originators and transmitters accepted by and in good standing with the Federal Electronic Filing Program are automatically accepted into the Alabama Electronic Filing Program.
- (2) Electronic return originators and transmitters accepted into the Alabama Electronic Filing Program serve as agents of the Alabama Department of Revenue, and must comply with the requirements of the program as stated in the Alabama Handbook for Electronic Filers of Individual Income Tax Returns.
- (3) The Alabama Department of Revenue will conduct random monitoring visits with Electronic Return Originators and Transmitters to verify that the requirements of the Alabama Electronic Filing Program are being met.
- (4) The Alabama Department of Revenue reserves the right to revoke the acceptance of an electronic return originator or transmitter for cause. Failure to comply with the guidelines set forth in the Alabama Handbook for Electronic Filers of Individual Income Tax Returns is considered just cause.
- (5) Any of the following can result in the revocation of an electronic return originator's or transmitter's acceptance into the program:
 - (a) Conviction of a criminal offense under the revenue laws of any state or of any offense involving dishonesty, or breach of trust.
 - (b) Failure to file timely and accurate tax returns, both personal and business.
 - (c) Failure to pay personal tax liabilities or business tax liabilities.
 - (d) Failure or refusal to effect corrective action as required by the Alabama Department of Revenue.
 - (e) Other facts or conduct of a disreputable nature that would reflect adversely on the Alabama Electronic Filing Program.
 - (f) Unethical practices in return preparation.
 - (g) Suspension by IRS.

Author : Ed Cutter
Authority: Sections 40-2A-7(a)(5) and 40-30-6, Code of Alabama 1975
History: New rule filed April 23, 1998, effective date May 28, 1998.

810-3-27-.09 Alabama Requirements for Mandatory E-File of Original Individual Income Tax Returns.

(1) (a) If an income tax return preparer prepares 250 or more acceptable, original individual income tax returns using tax preparation software in calendar year 2004, and 100 or more acceptable individual income tax returns using tax preparation software in calendar year 2005, then for the calendar year 2005 all acceptable individual income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act," as codified in Chapter 30 of Title 40, Code of Alabama 1975. An "Electronic Filing" as defined in Section 40-30-3(2) shall include, pursuant to this regulation, the technology commonly referred to as two dimensional (2-D) barcode technology if such returns using this technology conform to format prescribed by the Department.

(b) If an income tax return preparer prepares 50 or more acceptable, original individual income tax returns using tax preparation software in calendar year 2007, then for that calendar year and for each subsequent calendar year thereafter, all acceptable individual income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act," as codified in Chapter 30 of Title 40, Code of Alabama 1975. An "Electronic Filing" as defined in Section 40-30-3(2) shall include, pursuant to this regulation, the technology commonly referred to as two dimensional (2-D) barcode technology if such returns using this technology conform to format prescribed by the Department.

(2) For purposes of this rule, the following definitions apply:

(a) "Income tax preparer" means a person that meets both the following:

1. Any person that prepares an Alabama individual income tax return in exchange for compensation.

2. Or any person who employs another person to prepare, in exchange for compensation, any current year Alabama individual income tax return.

(b) "Original individual income tax return" means any return that is required, to be filed with respect to the tax imposed as defined by Section 40-18-2, Code of Alabama 1975. For purposes of paragraphs (1)(a) and (1)(b) above, a "timely" original individual tax return means any original individual tax return that is filed, without regard to extensions, during the calendar year for which that tax return is required to be filed.

(c) "Acceptable individual income tax return" means, for the purposes of the mandatory individual income tax filing program, any original individual tax return that is authorized by the Department to be filed solely using electronic technology as defined in Section 40-30-3(2), Code of Alabama 1975, and as specifically authorized by Section 40-30-3(2) granting additional rule making authority in this specific area, shall also include returns using what is commonly referred to as two dimensional (2-D) barcode technology if such returns using this technology conform to the format prescribed by the Department.

(d) "Tax preparation software" means any computer software program intended for accounting, tax return preparation, or tax compliance.

(3) Paragraph (1)(a) shall cease to apply to an income tax preparer if, during the 2004 calendar year, the income tax preparer prepared no more than 75 original individual income tax returns and during the 2005 calendar year and all subsequent years, the income tax preparer prepared no more than 50 original individual income tax returns.

(a) Paragraph (1)(a) of this rule, applies to acceptable individual income tax returns required to be filed for taxable years beginning on and after January 1, 2004.

(b) Paragraph (1)(a) of this rule, may not be interpreted to require electronic filing of acceptable individual income tax returns that are required to be filed on or before January 1, 2004.

Author: Buddy Bray, Richard Henninger, Kathleen Campbell, Ann F. Winborne, CPA, and Michael E. Mason, CPA

Authority: Sections 40-2A-7(a)(5), 40-18-40, and 40-30-1 through 6, Code of Alabama 1975

History: New rule: Filed June 4, 2004, effective July 9, 2004.

Amended: Filed November 7, 2005, effective December 12, 2005.

➤ **810-3-27-10 Alabama Requirements for Compliance with Administrative Rule 810-3-27-.09.**

(1) An income tax preparer may be subject to a random audit for each acceptable original individual income tax return prepared by that income tax preparer that is not electronically filed, unless it is shown that failure to electronically file that acceptable original individual income tax return is due to reasonable cause and not due to willful neglect.

(2) For purposes of this rule, reasonable cause includes, but is not limited to:

(a) A taxpayer's election not to electronically file an acceptable original individual income tax return by filing a signed paper original individual income tax return.

(b) Any electronically prepared original individual income tax return that cannot be filed or transmitted electronically by the tax preparer, or any original individual income tax return that cannot be accepted by the Department.

(3) Any original individual income tax return prepared, including those not electronically filed due to "reasonable cause", as indicated in subparagraphs (a) and (b) of this rule, will be included in the total mandate return count as defined in 810-3-27-.09.

Author: Buddy Bray, Richard Henninger, Kathleen Campbell

Authority: Sections 40-2A-7(a)(5), 40-18-40, and 40-30-1 through 6, Code of Alabama 1975

History: New rule: Filed June 4, 2004, **effective July 9, 2004.**

2007 ALABAMA ERROR REJECTION CODES

9/23/2007

- Any Additions/Changes/Updates or Deletions made to the Alabama Error Reject Codes are indicated with the symbol "=>" and highlighted with a "yellow background" in bold print. Text highlighted with a "blue background" denotes areas of special attention/interest. Text highlighted with a "red background" denotes Current Draft IRS/AL Form line numbers that are subject to change.

Please Note: Most of the lighted error reject codes have not actually changed – only the line number reference has changed – the field numbers are the same.

AL Error Codes	Error Description
000	Software Developer has not been approved for the Alabama E-File Program.
005	Primary Taxpayer Last Name (Field 060 - AL Generic Record) must be present. This is a required field and must never be blank.
010	Primary Taxpayer First Name & Spouse First Name (Field 070 - AL Generic Record) must be present. This is a required field and must never be blank.
NOTE: Spouse First Name only applicable when a joint filing status is claimed.	
015	Primary Taxpayer Address (Field 075 - AL Generic Record) must be present. This is a required field and must never be blank.
020	Primary Taxpayer City (Field 085 - AL Generic Record) must be present. This is a required field and must never be blank.
025	Primary Taxpayer Zip (Field 100 - AL Generic Record) must be present. This is a required field and must never be blank.
030	Primary Taxpayer SSN (Generic Record ID) must be present. This is a required field and must never be blank.
035	If Filing Status (Field 305 - AL Generic Record) is equal to 2 (Married Filing Joint), then Spouse First Name and Initial (Field 070 - AL Generic Record) must be present and Spouse SSN (Field 055 - AL Generic Record) must be present.
=> 040	If Filing Status (Field 305 – AL Generic Record) is equal to 3 (Married Filing Separate), then (Spouse's SSN) must be present in Field 305 - AL Generic Record.

AL Error Code**Error Description**

- 041 If Filing Status (Field 305 – AL Generic Record) is equal to 3 (Married Filing Separate), then Spouse SSN must not be present in Generic Field 055.
- 045 If Filing Status Box (Field 305 - AL Generic Record) is equal to 4 (Head of Family), then (Qualifying Person/Last Name), (Qualifying Person /First Name), (Qualifying Person/ SSN), (Qualifying Person/Relationship), must be present in Field 305 - AL Generic Record.

=> 050 Total Alabama Wages (Field 350 - AL Generic Record), Form 40 Pg. 1, line 5, must equal the total amount of all State Wages (including Wages Earned Out of State) as reported in Box 16 of the NEW ELF 2007 (4) STATE WAGE AND LOCALITY Federal 1040 W-2 (State Wages 1, State Wages 2, State Wages 3 and State Wages 4). IRS Fields #'s 0390, 0460, 0515, and 0560.

NOTE: ALABAMA WILL ACCEPT AN ELECTRONIC RETURN WITH A STATUTORY EMPLOYEE VIA A W-2 OR FEDERAL SCHEDULE C.

SPECIAL INSTRUCTIONS FOR AL ERROR CODE # 50:

NOTE: ALABAMA DOES NOT FOLLOW THE FEDERAL 1040 CRITERIA FOR SALARIES, WAGES, TIPS, ETC. (LINE 7, IRS FIELD # 0375).

=> THE 2007 AL40 INSTRUCTION BOOKLET FOR LINES 5A THROUGH 5D “WAGES, SALARIES, TIPS, ETC. STATES THE FOLLOWING: “INCOME”.... SHOW THE AMOUNT OF WAGES YOU WERE PAID BEFORE TAXES, INSURANCE, ETC. WERE DEDUCTED. YOU SHOULD USE THE AMOUNT SHOWN IN THE BOX HEADED “STATE WAGES” ON YOUR FORM W-2.” THE AMOUNT SHOWN IN THIS BOX MAY OR MAY NOT BE THE SAME AS THE AMOUNT TAXABLE FOR FEDERAL PURPOSES. ALL OTHER TAXABLE ITEMS LISTED ON YOUR W-2 FORM THAT ARE NOT INCLUDED IN THE “STATE WAGES” BOX SHOULD BE ENTERED ON LINE 8, PART 1, PAGE 2.

=> THE FOLLOWING INCOME AMOUNTS AS DEFINED BY LINE 7 OF THE FEDERAL 1040 MUST NOT BE INCLUDED IN ALABAMA GENERIC FIELD 350 (WAGES, SALARIES,TIPS), AL40, PG 1, LINE 5. THE ALABAMA E-FILE PROGRAM WILL GENERATE AN ALABAMA ERROR CODE # 50 AND REJECT THE ELECTRONIC RETURN. THESE AMOUNTS SHOULD BE REPORTED ON AL40, PG. 2, PART 1, LINE 8 “OTHER INCOME”, ALABAMA UNFORMATTED RECORD, SEQ. # 095. THE DESCRIPTION OF THE ITEM, LINE 8, “STATE NATURE AND SOURCE” SHOULD BE REPORTED IN AL UNFORMATTED RECORD, SEQ. # 090.

050 (CONTINUED)

ITEMS NOT ON FORM W-2 OR FORM 1099R:

- 2. Miscellaneous Income, from Federal Form 1099-MISC**
- 2. Earned Income from Federal Form 2555 (Foreign Earned Income)**
- 3. Excess reimbursement, from Federal Form 2106**
- 4. Excess Adoption Benefits**
- 5. Forfeited Childcare Benefits from Federal Form 2441**
- 6. Excess moving expense reimbursement, from Federal Form 3903**
- 7. Wages earned as a household employee – House Hold W-2**
- 8. Sick pay or disability payments**
- 9. Wages from a Foreign Source**
- 10. Ordinary income from ESPP stock sale**
- 11. Ordinary income from incentive stock options**
- 15. Federal “Guaranteed” Payments to K-1 Partnership**
- 16. Taxable Scholarships**
- 17. Taxable tips from Federal Form 4137**

Form W-2:

- 1. Social Security Tips**
- 2. Bonuses**
- 3. Fees**
- 4. Commissions**
- 5. Allocated Tips OR tips from Federal Form 4137**
- 6. Advanced EIC payments**
- 7. Dependent Care Benefits**

AL Error Code

Error Description

050 (CONTINUED)

Form 1099R:

3. Disability before minimum retirement age

2. Return of contributions

055 Reserved For Future Use

=>	060	Other Income (Field 365 - AL Generic Record), Form 40, Pg. 1, line 7 , must equal the Total Other Income (AL Seq. no. 100 - AL Unformatted Record) reported on Pg. 2, Part I, line 9, Form 40.
=>	065	Total Income (Field 370 - AL Generic Record), Form 40, Pg. 1, line 8 , must equal the sum of lines 5, 6, and 7 (Sum Fields 350, 355, and 365 - AL Generic Record).
=>	070	Total Adjustments to Income (Field 375 - AL Generic Record), Form 40, Pg. 1, line 9 , must equal the Total Adjustments (AL Seq. no 190 - AL Unformatted Record) reported on From 40, Pg. 2, Part II, line 8.
=>	075	Adjusted Gross Income (Field 380 - AL Generic Record), Form 40, Pg. 1, line 10 , must equal line 8 less line 9 (Field 370 less 375).
=>	080	Itemized Deductions/Standard Deduction (Field 305 - AL Generic Record), Form 40, Pg. 1, line 11 . If the deductions on the return are itemized, this field must equal Total Itemized Deductions (AL Seq. no. 190 - AL Unformatted Record) reported on AL Schedule A, line 26.
=>	081	Federal Tax Liability Deduction, Form 40, Page 1, line 12 must equal the amount reported on Federal 1040, line 56 plus line 59. Federal 1040 A, line 38 and Federal 1040 EZ, line 10. If none, enter zero amount. This amount must never be a negative figure. If negative, then enter zero amount.
	085	Itemized/Standard Deduction Flag (Field 305 - AL Generic Record): I = Itemized, S= Standard. One or the other must be present.

AL Error Code**Error Description**

090 Personal Exemption (Field 400 - AL Generic Record), Form 40, Pg. 1, line 14 is based on the Filing Status reported in (Field 305 - AL Generic Record), Form 40, Pg. 1, lines 1, 2, 3 or 4. The AL Personal Exemption must equal the exemption amount as defined by one of the following status exemptions:

1. Single \$1500.00
2. Married Filing Jointly \$3000.00
3. Married Filing Separately \$1500.00
4. Head of Family (Household): \$3000.00

=> **095** Dependent Exemption (Field 405 - AL Generic Record), **Form 40, Pg. 1, line 14**, must equal the Amount Allowed as reported on Form 40, Pg. 2, Part III, line 2 (AL Seq. no 450 - AL Unformatted Record).

=> **100** Total Deductions (Field 410 - AL Generic Record), **Form 40, Pg. 1, line 15**, must equal the sum of lines 11, 12, 13, and 14 (Sum Field 385, 390, 400 and 405).

=> **105** Taxable Income (Field 415 - AL Generic Record), **Form 40, Pg. 1, line 16**, must equal line **10 less line 15** (Field 380 less 410).

CAUTION: IF NEGATIVE DO NOT DEFAULT TO ZERO

110 Reserved For Future Use:

=> **111** **If Form AL40, Pg. 1, line 17, NOL - 85A "Check Box" equal "X", then AL Generic Field 420 must be present.**

115 Reserved For Future Use

120 Reserved For Future Use

125 Reserved For Future Use

=> **130** **Schedule OC Credit Flag (Field 305 - AL Generic Record), Form 40, Pg. 1, line 18, must be blank. The return cannot be filed electronically and a paper return must be filed.**

135 Reserved For Future Use

140 **Less Credits amount (Field 425 – AL Generic Record) must be greater than zero if CR – Credit Flag equal "X" (Field 305 – AL Generic Record).**

AL Error Code

Error Description

141 If AL Sch CR, line 5 (AL Seq # 500) is present then AL Sch CR, lines 1, 2, 3, and 4 must be present. (AL Sch CR Seq #s 50, 100, 200, 300, and 400.)

NOTE: Aggregate all Credits For Taxes Paid to Other States (if more than one) to the AL Sch CR – lines 1, 2, 3 and 4 (one occurrence). AL Sch CR Seq #s 50, 100, 200, 300 and 400. The Description in line 1 (AL Seq # 50) must read “All States” . The aggregate total of all Out-of-State Credits must be reported on line 5 (AL Seq # 500) and the amount brought forward to Field 425 – AL Generic Record.

NOTE: AL Schedule CR is located at the bottom of the AL Sch B (AL Unformatted Record).

=> 145 Net Tax Due Alabama (Field 430 - AL Generic Record), **Form 40, Pg. 1, line 19a, must equal line 17 less line 18** (Field 420 less 425). **If line 18 is greater than line 17, then line 19a must be blank or zero.**

150 Reserved For Future Use

155 Reserved For Future Use

=> 160 Total Tax Liability and Voluntary Contributions (Field 455 - AL Generic Record), must equal line **19a plus line 19b, 20a, and 20b.** (Field 430 plus 435, 440, and 445)

=> 165 Alabama Income Tax Withheld (Field 460 - AL Generic Record), **Form 40, Pg. 1, line 22,** must equal the total ALABAMA Income Tax Withheld, as reported on the W-2s, W-2Gs, and 1099R's. Error Reject Code #165 will only be valid with W-2's, W-2G's and 1099R's. **AL withholding from any other source document will not be included in the calculation for Error Reject Code # 165 and will be rejected.**

NOTE: Income tax withheld for other states must not be included in this amount.

=> 170 Total Payments (Field 475 - AL Generic Record), **Form 40, Pg. 1, line 25,** must equal the sum of line 22, 23, and 24 (Sum Field 460, 465 and 470).

=> 175 Amount You Owe (Field 480 - AL Generic Record), **Form 40, Pg. 1, line 26,** must equal line 22 less line 26 (Field 455 which exceeds 475), **plus line 27** (Field 485).

AL Error Code

Error Description

=> 180	Overpaid (Field 490 - AL Generic Record), Form 40, Pg. 1, line 28, must equal line 25 less line 21, less line 27 . (Field 475 less 455 less 485).
=> 185	Total (Donations and Application to 2007 Estimated Tax) (Field 550 - AL Generic Record), Form 40, Pg. 1, line 31 , must equal the sum of line 29 and, 30 (Sum of Fields 495 and 500)
=> 187	Total Donations from Form 40, Schedule DC, Field 160, must equal Form 40, Pg 1, Line 30, Field 500)
190	Refunded To You (Field 555 - AL Generic Record), Form 40, Pg. 1, line 32 , must equal line 28 less line 31 (Field 490 less 550).
195	Business Income or (Loss) from Federal Schedule C or C-EZ, Form 40, Pg. 2, Part I, line 2 (AL Seq. no. 035 - AL Unformatted Record) must equal the AGGREGATE amount of the cumulative net profit or (loss) from line 31 of all 2007 Federal Schedule Cs, plus the cumulative net profit from line 3 of all C-EZs (IRS Field ID # 0710). ERROR CODE #195 WILL NOT BE VALID IF FED SCH C, LINE 30, IRS FORM 8829 "EXPENSES FOR BUSINESS USE OF YOUR HOME" (IRS FIELD 0703) IS PRESENT. ANY EXCESS BUSINESS USE EXPENSES BEYOND THE FEDERAL LIMITATIONS SHOULD BE REPORTED ON AL40, PG. 2, PART 1, LINE 8 "OTHER INCOME", ALABAMA UNFORMATTED RECORD, SEQ. #095. THE DESCRIPTION OF THE ITEM, LINE 8, "STATE NATURE AND SOURCE" SHOULD BE REPORTED IN AL UNFORMATTED RECORD, SEQ. #090.
200	Gain or (Loss) from Sale of Real Estate, Stocks, etc., Form 40, Pg. 2, Part I, line 3 (Alabama Schedule D) must equal the AGGREGATE amount reported as net profit or (loss) from all Alabama Schedule Ds, line 1(AL. Seq. no. 990 - AL Unformatted Record).
205	Rents, Royalties, Partnerships, Estates, Trusts, etc., Form 40, Pg. 2, Part I, line 6 (AL Seq.# 080) must equal the AGGREGATE amount reported as Total Income or (Loss) from all Alabama Schedule E's, line 25 (AL Seq. no. 2000 – AL Unformatted Record).
=> 210	Total Other Income, Form 40, Pg. 2, Part I, line 9 (AL Seq. no. 100 - AL Unformatted Record) must equal the sum of Part I, line 1, 2, 3, 4B, 5B, 6, 7 and 8. (AL Seq. no. 030, 035, 045, 065, 075, 080, 085, and 095). This amount must be brought forward to Form 40, Pg. 1, line 7 (Field 365 - Alabama Generic Record).

AL Error Code**Error Description**

- 215 If Other Income, Form 40, Pg. 2, Part I, line 8 (AL Seq. no. 095 – AL Unformatted Record) is present, then Other Income, Form 40, Pg. 2, Part I, line 8 (Nature and Source – Description) must be present (AL Seq. no. 090 – AL Unformatted Record).
- 220 Alimony Recipient Last Name, Form 40, Pg. 2, Part II, line 4 (AL Seq. no. 125 - AL Unformatted Record). If Alimony Amount Paid is present on Form 40, Pg. 2, Part II, line 4 (AL Seq. no. 155 – AL Unformatted Record), then Alimony Recipient Last Name must be present.
- 225 Alimony Recipient SSN, Form 40, Pg. 2, Part II, line 4 (AL Seq. no 130 – AL Unformatted Record). If Alimony Amount Paid is present on Form 40, Pg. 2, Part II, line 4 (AL Seq. no. 155 – AL Unformatted Record), then Alimony Recipient SSN must be present.
- 230 Reserved For Future Use
- 235 Moving Expenses - To State, Form 40, Pg. 2, Part II, line 6 (AL Seq. no. 170 - AL Unformatted Record). If Moving Expense Amount, Form 40, Pg. 2, Part II, line 6 (AL Seq. no. 180 – AL Unformatted Record) is present, then Moving Expenses – To State must be present and equal to “AL”.
- 240 Reserved For Future Use
- 245 Total Adjustments, Form 40 Pg. 2, Part II, line 8 (AL Seq. no. 190 – AL Unformatted Record) must be equal the sum of line 1A, 1B, 2, 3, 4, 5, 6, and 7 (AL Seq. no. 105, 110, 115, 120, 155, 160, 180 and 185 - AL Unformatted Record). This amount must be brought forward to Form 40, Pg. 1, line10 (AL Generic Record 375).

=> **250** Amount Allowed (For Dependent Exemption), Form 40, Pg. 2, Part III, line 2 (AL Seq. no. 450 - AL Unformatted Record) must equal amount on **Form 40, Pg. 1, line 14** (Field 405 - Alabama Generic Record). If Amount on Form 40, Pg. 1, Line 10 (Field 375 – Generic Record equal 0 – 20,000 then Dependent Exemption must be \$1,000 times number of dependents in field 445 of unformatted record, Form 40, Pg. 2, Part III, line 1b.); if Amount on Form 40, Pg. 1, Line 10 (Field 375 – Generic Record equal 20,001 – 100,000) then Dependent Exemption must be \$500 times number of dependents in field 445 of unformatted record, Form 40, Pg. 2, Part III, line 1b. ; if Amount on Form 40, Pg. 1, Line 10 (Field 375 – Generic Record is over 100,000 then must be \$300 times number of dependents in field 445 of unformatted record, Form 40, Pg. 2, Part III, line 1b.) (see instructions page 10)

AL Seq. No 445 must never be a negative figure.

- 255 If Total Number of Dependents Claimed, Form 40, Pg. 2, Part III, line 1b (AL Seq. No. 445 - AL Unformatted Record) is present, then Dependents First Name/Last Name, Form 40, Pg. 2, Part III, line 1a (1) must be present

(First Name: AL Seq no's. 195, 220, 245, 270, 295, 320, 345, 370, 395, and 420). (Last Name: AL Seq. no's. 200, 225, 250, 275, 300, 325, 350, 375, 400 and 425, respectively).

AL Error Code

Error Description

- 260 If Total Number of Dependents Claimed, Form 40, Pg. 2, Part III, line 1b (AL Seq. No. 445 - AL Unformatted Record) is present then, Dependents Relationship, Form 40, Pg. 2, Part III, line 1a(3) must be present (AL Seq nos. 210, 235, 260, 285, 310, 335, 360, 385, 410, and 435).
- 265 If Total Number of Dependents Claimed, Form 40, Pg. 2, Part III, line 1b, (AL Seq. No. 445 - AL Unformatted Record) is present then, Dependent SSN must be present.

=> 270 Residency Flag, Form 40, Pg. 2, Part IV, line 1 (AL Seq. no. 455 – AL Unformatted Record) must = F (Full Year Alabama Resident) or P (Part Year Resident) If P (Part Year Alabama Resident), then the return cannot be filed electronically and a paper return must be filed.

=> 272 If AL Seq. no. 455 – AL Unformatted Record is P (Part-Year Resident) then Fields 460, 465, and 470 of the unformatted Record must be present.

- 275 **Federal Adjusted Gross Income**, Form 40, Pg 2, Part IV, Line 5 (AL Seq. no 535 - AL Unformatted Record) must equal Federal **Form 1040, Pg 1, Line 38** (FD 1040, Pg 1, Seq. 750), Form **1040A, Pg 1, Line 21** (FD 1040A, Pg 1, Seq. 750) or Form **1040-EZ, Line 4** (FD 1040-EZ, Seq. 750).

- 280 **Federal Taxable Income**, Form 40, Pg 2, Part IV, Line 5 must equal Fed **Form 1040, Pg 2, Line 42**, Fed **Form 1040A, Pg 2, Line 27** or Fed Form **1040-EZ, Line 6**.

- 285 Other Federal Income Flag, Form 40, Pg. 2, Part IV, line 6 (AL Seq. no. 540 - AL Unformatted Record). If Other Federal Income Flag box is checked with an "X", then the Source Description and Source Amount, Form 40, Pg. 2, Part IV, line 6 must be present (AL Seq. no. 550 and/or 560).

290 Reserved For Future Use

295 Reserved For Future Use

300 Reserved For Future Use

=> 305 If Standard Deduction Box is checked, Form 40, Page 1, line 11b, (Field # 305), then Generic Field 385 must contain the criteria found on the chart in the Form 40 Instruction Booklet on page 9:

AL Error Code

Error Description

- 310 If Itemized Deduction Box is checked, Form 40, line 11a, (Field # 305), then AL Sch A,

line 26, (Seq. #190) **must be equal to or greater than zero.**

315 AL 40, Schedule A (If present), line 26 (AL Seq. #190) must equal the sum of lines 4, 9, 13, 17, 18c, 23, 24 and 25 (AL Seq. no's 045, 075, 105, 125, 140, 175, 180 and 187).

320 AL 40, Schedule B, line 3 (AL Seq. #280) must equal the sum of line 1 - Interest Income and line 2 - Dividend Income (AL Seq. no's. 040, 055, 070, 085, 100, 115, 130, 145, 160, 175, 185, 195, 205, 215, 225, 235, 245, 255, 265 and 275).

NOTE: Alabama Schedule B is a required ELF form if Total Taxable Interest and Dividend Income is greater than \$1500.00.

321 If AL Sch CR line 5 is present (AL Seq # 500) then
AL Sch B, Seq # 280 **must be equal to or greater than zero.**

NOTE: If no AL Sch B is required in the electronic return but an AL CR must generated then zero fill the Seq #'s found in AL Error Code # 320.

325 Reserved For Future Use

330 Reserved For Future Use

335 If state wages, tips, etc. **(Field # 390)** is present then Employer's \ state ID number **(Field # 380)** must be present. **For income derived from a state that does not have an income tax, the Employer's FEIN should be used.**

340 If state wages, tips, etc. **(Field # 460)** is present then Employer's state ID number **(Field # 450)** must be present.

345 If state wages, tips, etc. **(Field # 515)** is present then Employer's state ID number **(Field # 500)** must be present.

350 If state wages, tips, etc. **(Field # 560)** is present then Employer's state ID number **(Field # 550)** must be present.

351 If IRS Form **1099R, Box 7** (IRS Field #0190) "Distribution Code" is equal to **Code 7** and (IRS Field 0200) "IRA/SEP/SIMPLE" indicator box is checked, then AL40, Pg.2, Part 1, line 4b (AL Seq. #065) must be present. If (IRS Field # 0190) "Distribution Code" is equal to **code G**, then **AL ERROR REJECT CODE #351 is invalid and will be ignored.**

352 If IRS Form 1099R, Box 1 or 2a "1 Gross Distribution – 2a Taxable Amount" is present (IRS Field Codes # 0110 and # 0120), then Box 7 (IRS Field

Code # 0190) must be present.

355 Consumer Use Tax, Form AL 40, Pg. 1, line 20b (AL Generic Field no. 435) must never be a negative number.

356 If AL40, Sch B "Interest and Dividend income" **is greater than \$1500.00**, then AL40, Sch B, Line 3 (Al Seq. # 280) must be present and equal to AL40, Page 1, line 7 (AL Seq. #355).

900 Duplicate Return on File For SSN/TAXYR. An electronic return is already on file for this taxpayer. **The return is being processed by ADOR and no further action is required.**